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SUBJECT: ATLANTIC CANADA AND BSE

REF: Halifax 042

1. Atlantic Canadian beef farmers are feeling the pinch of low beef prices brought about by the closing of the US borders to the shipment of live animals and all but a few choice cuts of beef. The subsequent glut of the Canadian market and the insufficient slaughter capacity in Canada has caused a massive drop in the price of Atlantic Canadian beef. The numbers are significant; the Nova Scotia Federation of Agriculture estimates that the provincial livestock industry lost over C\$23 million in 2003. The provincial and federal governments are pitching in to help offset the consequences of the border closures with a recent announcement from the Federal government to infuse the industry with C\$488 million. The provincial governments have been topping-up this aid, with programs designed to mitigate the effects of the crisis on their specific industries. For example, Nova Scotia has contributed C\$13 million to address income loss for Nova Scotian beef farmers.

2. The Atlantic Canadian livestock farmers contend that many of the Federal measures dealing with the BSE crisis are designed to address the concerns of Western beef farmers. Although they laud Federal moves to strengthen Canada's tracking, tracing, and surveillance system in order to demonstrate high Canadian standards of animal and public health, producers are less supportive of the Federal plans to increase Canadian slaughtering capacity while temporarily decreasing supply through a series of set-asides. Atlantic Canadian producers argue that the Federal programs interfere with existing regional solutions and offer little in the way of aid to Atlantic beef farmers.

3. One of the biggest regional developments is the construction of a new beef plant on Prince Edward Island, funded through the purchase of stocks, or "hooks," by members of the Atlantic Beef Producers Co-operative Ltd. Scheduled to open in late November or early December, the plant will be federally inspected and therefore permitted to distribute its beef to the entire Atlantic region. The PEI plant will produce its own brand of beef, the Atlantic Tender Beef Classic (ATBC), and will discourage producers from slaughtering cattle larger than 1400 lbs to preserve the quality of the meat. Producers hope to open a niche market in local supermarkets with an active marketing campaign encouraging the consumption of local beef.

4. It is the restriction to cows of less than 1400 lbs for the ATBC brand that makes the Federal set-aside program troublesome for Atlantic beef producers. Any producer forced to set-aside cows under the Federal program would not have the freedom to sell those animals approaching the 1400 lbs cut-off. All those cows that could not be sent to the PEI plant due to excess weight would then have to be sent to slaughtering plants in Ontario, potentially off-setting any Federal monetary incentives for set-asides. Furthermore, the PEI Cattleman's Association noted that the benefits of this program will be felt indirectly through the use of set-asides in other provinces where there is insufficient slaughter capacity, resulting in a more stable price across Canada. The Atlantic Canadian beef producers could take advantage of these prices without participating in the program and consequently without jeopardizing the new PEI plant. Essentially, they could take a free ride.

5. The Atlantic Provinces are skeptical other Federal programs, arguing that the Canadian Agricultural Income Stabilization Program is administratively top-heavy and inefficient. The funding received by farmers under this program is not sufficient given the complicated process necessary to secure it. They also argue that the Federal government must develop measures to deal with Atlantic environmental concerns associated with deadstock. Burying carcasses is problematic due to high water tables, and the close proximity of feedlots to residential development makes visually unpleasant options like fence-line feeding unpopular.

6. With these developments, the Agriculture ministers from Nova Scotia, New Brunswick, and PEI have agreed on a common approach for the upcoming federal, provincial and territorial agriculture ministers' meeting in Ottawa. Chris d'Entremont, Nova Scotia's Minister of Agriculture notes that although the Federal measures were welcome, further negotiations need to be held between the provinces and the Federal government in order to develop regional strategies for Atlantic Canada's livestock industry. In the meantime, the Atlantic Provinces are attempting to aid ailing Atlantic Canadian beef producers by offering cash advances of C\$100 per cow to be deducted later from CAIS claims.

17. COMMENT: All parties seem to agree on the necessity of improving Canada's tracing, tracking, and testing for BSE in order to reassure international trade partners as to the safety of Canadian beef. However, although still anxious for the reopening of the US-Canada border to live cattle and all beef exports, Atlantic beef producers realize that in the meantime they must develop alternative strategies to prevent the death of the industry. Hence the push to increase Canada's national slaughtering capacity and design marketing strategies encouraging the consumption of local beef products. This will allow Canada to serve its own market and hopefully to stabilize the national price of beef. The construction of the PEI beef plant is an example of this move towards increased regional self-sufficiency.

18. At the same time, this plant will not be adequate to address all of the region's beef concerns, nor are the Federal measures sufficient to bridge the gap until the reopening of the border. Therefore, it is likely that the Atlantic Provinces will continue to exert pressure on the Federal government both to continue strong negotiations with the U.S. on beef exports -- especially during the upcoming visit of President Bush to Canada -- and to aid in developing federally funded solutions for the Atlantic region's beef producers. END COMMENT

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